

HEALTH CARE NOW!

MEMORANDUM

From: Samuel Jordan
To: State Planning Grant Panelists
Re: Total Health Services and Insurance Costs Research

Our consideration of the factors contributing to lack of health insurance coverage for many District of Columbia residents and solutions that may be available to us may be incomplete without a review of total care costs.

Using broad definitions of costs, actual health care costs as reported by public and not-for-profit providers and programs, e.g. DC Healthcare Alliance, Medicaid, DC Healthy Families, etc., (P), plus actual costs incurred by insured consumers of health care services, (I), may be less expensive than P plus E where E equals the total dollar costs of insurance premiums paid by employers, individuals and other plan members and purchasers or:

$$P + I < P + E$$

If this formulation proves to be correct, then we might discuss implications of the magnitude and utility of the difference in total costs. It is possible that the difference represents a potential social savings that, given the requisite, informed political will may justify a re-examination of the methods we use to defray health care costs. For example, employers may choose to contribute a sufficient portion of monies currently dedicated to insurance benefits to a fund administered by a public agency or quasi-public authority that will pay directly for health care costs of the otherwise eligible plan members/employees. Other methods may prove adequate.

For-profit and not-for-profit insurers alike can be expected to be less than enthusiastic at the prospect of any meaningful exploration of alternatives to the insurance premium convention. Nevertheless, should the comparison of total costs reveal a policy-significant difference in costs represented by P + I when compared to P + E, we should be compelled to propose health care services payment methods corresponding to the analysis of the data and the purpose of our panel.

Sam Jordan, Director - Health Care Now!